



大唐西市
DA TANG XI SHI

DTXS SILK ROAD INVESTMENT HOLDINGS COMPANY LIMITED

大唐西市絲路投資控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 620)

AUDIT COMMITTEE – TERMS OF REFERENCE

Constitution

1. The board (the “Board”) of directors (the “Directors”) of DTXS Silk Road Investment Holdings Company Limited (the “Company”) has established a committee of the Board known as the audit committee (the “Audit Committee”).

Membership

2. The Audit Committee shall be appointed by the Board and shall comprise non-executive Directors only. The Audit Committee must comprise a minimum of three members. The majority of the Audit Committee members must be independent non-executive Directors, and at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.
3. The Chairman of the Audit Committee shall be appointed by the Board and must be an independent non-executive Director.
4. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Audit Committee for a period of 1 year from the date of his/her ceasing:
 - (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm, whichever is later.

Meetings

5. The Audit Committee shall meet at least twice a year. The Company’s external auditors may request a meeting if they consider it necessary.
6. Notice of at least 7 days shall be given of a regular Audit Committee meeting, unless all members unanimously waive such notice. Notwithstanding the notice period, the attendance of members at the meeting shall be deemed waiver of the required length of notice. For all other Audit Committee meetings, reasonable notice shall be given.
7. The quorum of the Audit Committee shall be any two members.

8. Meetings can be held in person, by telephone or by video conference. Members of the Audit Committee may attend a meeting either in person or by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other. With consent of all members, resolutions of the Audit Committee can be passed by written resolutions.
9. Resolutions of the Audit Committee at any meetings shall be passed by a majority of votes of the members present.
10. A resolution in writing signed by all the members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.

Attendance at meetings

11. The Director responsible for the Company's finance, the head of accounts department, the head of internal audit, representative(s) of the external auditors and other person(s) invited by the Audit Committee shall normally attend the meetings. However, at least twice a year, the Audit Committee shall meet with the representative(s) of the Company's external auditors without any executive Directors present, except by invitation of the Audit Committee.
12. The company secretary or his/her nominee or such other person as nominated by the Audit Committee shall be the secretary of the Audit Committee.
13. Only members of the Audit Committee are entitled to vote at the meetings.

Reporting procedures

14. The Audit Committee shall report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.
15. Draft and final versions of minutes of the Audit Committee meetings shall be sent to all members of the Audit Committee for their comment and records respectively within a reasonable time after the meeting.
16. Minutes of the meetings and written resolutions of the Audit Committee shall be kept by the secretary of the Audit Committee and shall be available for inspection by any members of the Audit Committee or the Board.

Authority

17. The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. The Audit Committee shall have the right to require the Company's management to furnish information on any matter relating to the financial position of the Company, its subsidiaries and associates, as may be required to perform its duties.
18. The Audit Committee is authorised by the Board to seek independent professional advice and to secure the attendance of outsiders with relevant experience and expertise in appropriate circumstances when necessary, at the Company's expense.

19. The Audit Committee shall be provided with sufficient resources to perform its duties.

Duties

20. The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting and internal control systems, and to perform any other responsibilities as delegated by the Board from time to time. The Audit Committee shall have the following duties:

Relationship with the Company's auditors

- (a) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (b) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (c) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (d) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Company's financial information

- (e) to monitor integrity of the Company's financial statements and annual report and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

- (f) regarding (e) above:
 - (i) members of the Audit Committee should liaise with the Board and senior management;
 - (ii) the Audit Committee must meet, at least twice a year, with the Company's external auditors; and
 - (iii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

Oversight of the Company's financial reporting system, risk management and internal control procedures

- (g) to review the Company's financial controls, risk management and internal control systems;
- (h) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (i) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (j) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (k) to review the group's financial and accounting policies and practices;
- (l) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

Corporate governance functions

- (o) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (p) to review and monitor the training and continuous professional development of Directors and senior management;
- (q) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (r) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- (s) to review the Company's compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report;

Others

- (t) to report to the Board on the matters in the Corporate Governance Code as contained under Appendix 14 of the Listing Rules;
- (u) to report to the Board on the matters set out in this terms of reference;
- (v) to consider other matters, as defined by the Board; and
- (w) where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

Recommended Best Practice

21. The Audit Committee should establish a whistleblowing policy and system for employees of the Company and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.

Annual General Meeting

22. The chairman of the Audit Committee or in his/her absence, another member of the Audit Committee or failing this, his/her duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to respond to shareholders' questions on the Audit Committee's activities.

Availability of the Terms of Reference

23. The Board must approve and provide written terms of reference for the Audit Committee. The Audit Committee shall make available its terms of reference, explaining its role and the authority delegated to it by the Board, on both the websites of the Company and The Stock Exchange of Hong Kong Limited.

Note: The Chinese translation thereof is for reference only and the English version shall always prevail in case of any inconsistency between the English version and the Chinese translation thereof.